

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 64-6

March 27, 1964

TAXPAYMENT OF UNEXPLAINED SHORTAGES OF BEER

Brewers and others concerned:

This circular is issued to remind brewers of their responsibility to account for bottle and keg beer produced, and to caution them that taxes may be due on shortages of such beer that are not explained or accounted for.

Several instances have recently been brought to the attention of the National Office where beer has been removed from breweries without being properly recorded, and consequently without being taxpaid. In each of the instances mentioned, the untaxpaid removal resulted in a shortage of record in the keg or bottled beer account.


In each case, when the shortage was first discovered, no adequate explanation was apparent. On investigation, however, it developed that it was due, at least in part, to untaxpaid removals, and it thereupon became necessary for the Internal Revenue Service to assert the tax.

It is the position of the Service that beer in kegs and cases is subject to rather precise accounting controls, in that quantities produced, consumed, lost, removed, or otherwise disposed of can be precisely determined by appropriate instruments and procedures which are available and in use throughout industry generally.

It is the responsibility of each brewer to maintain complete and adequate records of his operations, including quantities of keg and case beer on hand, produced, removed, or otherwise disposed of. Any shortage of finished products is an indication that removals have occurred unlawfully without payment of tax and that an assessment to collect the tax may be justified. The burden of proof to the contrary rests upon the brewer.

In any instance where the Service proposes to assert additional tax because of apparent removal of more beer than has been recorded by the brewer, the brewer will be furnished every reasonable opportunity to explain and account for the shortage before the tax is asserted, and only after full consideration of all the known facts will action be taken to require payment. It is not the intent of the Service to require the taxpayment of more, or less, beer than has been removed subject to tax. In the interest of protecting the revenue, it will, however, be necessary to assert the tax unless the brewer can satisfactorily account for the shortage.

Inquiries regarding this circular should refer to its number and should be addressed to the office of your Assistant Regional Commissioner, Alcohol and Tobacco Tax.



Dwight E. Avis

Director, Alcohol and Tobacco Tax Division